

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 /128 W
-----111418 090537Z /12

R 080807Z JUN 78

FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 9321
INFO AMEMBASSY BANGKOK
AMEMBASSY KUALA LUMPUR
AMEMBASSY MANILA
AMCONSUL MEDAN
AMEMBASSY SINGAPORE
AMCONSUL SURABAYA
AMEMBASSY TOKYO

C O N F I D E N T I A L JAKARTA 7569

E.O. 11652: GDS

TAGS: ENRG, ID

SUBJECT: PLANS TO PUT PERTAMINA BACK ON ITS FINANCIAL FEET

1. SUMMARY: GOI INTENDS TO TRY AND PUT PERTAMINA BACK ON ITS FINANCIAL FEET WITHIN TWO YEARS WITH EXPECTATION THAT PERTAMINA WOULD THEN RESUME EXTERNAL BORROWING. THIS PLAN IS CONTINGENT ON FURTHER IMPROVEMENT IN PERTAMINA'S OWN INTERNAL FINANCIAL CONTROLS AND ACCOUNTING, WHICH ARE STILL UNSATISFACTORY. END SUMMARY.

2. EMBASSY HAS BEEN TOLD GOI PLANS TO PLACE PERTAMINA ON SOUND FINANCIAL FOOTING WITHIN TWO YEARS WITH EXPECTATION THAT PERTAMINA CAN THEN BORROW ON INTERNATIONAL CAPITAL MARKET TO FINANCE MAJOR OIL AND GAS ACTIVITIES.

3. THIS PLAN REQUIRES GOI TO WRITE OFF SIZEABLE EXISTING
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PERTAMINA DEBT, A MOVE THE GOVERNMENT IS PREPARED TO MAKE ONCE IT IS CONVINCED PERTAMINA HAS STRAIGHTENED OUT ITS INTERNAL FINANCES.

4. A STEP IN THIS DIRECTION WAS TAKEN IN FEBRUARY WHEN A. ALMATSIER REPLACED COL. SODIEONO AS PERTAMINA'S FINANCIAL DIRECTOR. AT ALMATSIER'S INSTALLATION, THEN

MINISTER OF MINES SADLI CANDIDLY ACKNOWLEDGED CONTINUING PROBLEMS WITH PERTAMINA'S FINANCIAL OPERATIONS. EMBASSY OFFICER WAS TOLD PERTAMINA STILL PROVIDES MONEY TO ARMED FORCES, ALTHOUGH AT MUCH REDUCED LEVELS, AND ITS INTERNAL REPORTING AND ACCOUNTING SYSTEM IS UNABLE EITHER TO GENERATE TIMELY INFORMATION OR TO EXERCISE FULL CONTROL OF FINANCIAL FLOWS.

5. IN ANOTHER MOVE TO IMPROVE PERTAMINA'S FINANCIAL MANAGEMENT, PERTAMINA PRESIDENT DIRECTOR HARYONO HAS TAKEN DIRECT CONTROL OF PELITA AIR SERVICE AND IS STUDYING THE OPERATION OF OTHER PERTAMINA SUBSIDIARIES WITH A VIEW TOWARD IMPROVING THEIR EFFICIENCY. HARYONO NOW INSISTS THAT PERTAMINA SUBSIDIARIES SHOULD NOT BE INDEPENDENT PROFIT CENTERS SINCE THEIR "PROFIT" IS ONLY BEING MADE AT PERTAMINA'S OWN EXPENSE.

6. WHILE THERE IS ROOM FOR MORE IMPROVEMENT AT PERTAMINA, SENIOR GOI AND PERTAMINA OFFICIALS BELIEVE THAT THE PROGRESS MADE IN THE PAST TWO YEARS WILL CONTINUE AND THAT BY 1980 PERTAMINA CAN BE GIVEN A CLEAN BILL OF FINANCIAL HEALTH AND THE OPPORTUNITY TO RESUME NORMAL FINANCING ACTIVITIES.

MASTERS

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